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ITALY



Italy's aggregate value soars

Despite a slight dip in deal volume, Italy witnessed a 38.3% increase in aggregate value terms in 2016, the fastest growth rate among the five largest economies of the continent. **Amedeo Gorio** reports

In 2015 and 2016, Italy consolidated its overall buyout activity and confirmed its growth as an attractive market for deal-makers. Compared with 2012-2013, the country almost doubled its volume figure and posted a four-fold increase in aggregate value,

from €3.2bn deployed in 2012 to €13.5bn in 2016. Nevertheless, the Italian buyout industry seemed to slow down its pace in 2016 to hedge an unstable political spectrum, both domestically and internationally.

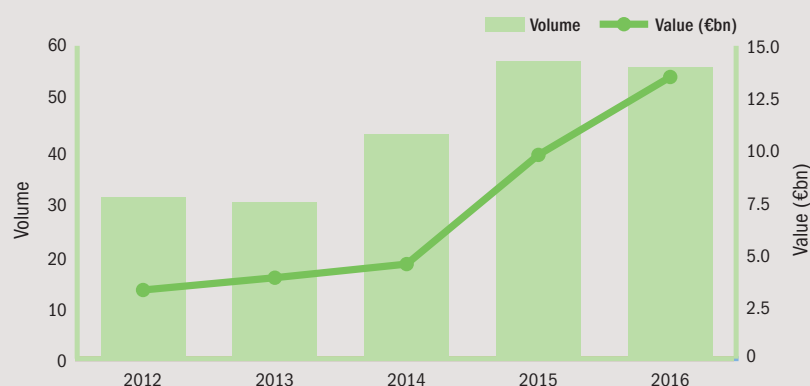
During the last year, Italy saw its government, led by Matteo Renzi, face a strong political opposition keen on halting the reform process, which eventually collapsed following the rejection of the constitutional referendum in December 2016. Against this backdrop, the country's public debt burden rose while the spread between the German and Italian bonds stabilised on low levels. On the one hand, the quantitative easing and low interest rate policies prompted by the European Central Bank allowed Italian enterprises easy access to credit, but on the other, these rates tend to price out asset managers and bolster the role of banks, historically predominant in the economic structure of the *Bel Paese*.

"Despite political turmoil, the newly formed government needs to give priority to the private equity sector," says Nino Tronchetti Provera, managing partner at Ambiana. "Italy is the second to last country in Europe in terms of economic impact of private equity activity on GDP, three times less than the UK and 29% less than Germany. Italy needs to bridge the gap with its European neighbours, starting with the regulation of carried interest."

Dealflow

These structural concerns may have taken their toll: looking at dealflow in volume terms, Italy is the only region out of eight analysed by *unquote*

Italy overall dealflow



Source: *unquote* data

Private-equity-backed buyouts

	2012	2013	2014	2015	2016
Volume	31	30	43	57	56
Value (€bn)	3.29	3.88	4.53	9.77	13.51
Average value (€m)	106	129	105	171	241
% of European volume	5.3%	5.3%	6.6%	8.8%	7.6%
% of European value	4.3%	4.6%	4.6%	7.8%	11.6%

that saw a decline, with 56 deals sealed in 2016, down by one on the 57 assets acquired the previous year, against a backdrop of 13.6% in buyout volume growth across Europe. In 2016, Italy accounted for 8% of the total buyout market in volume in Europe, dipping from 9% in 2015. Nonetheless, with 56 deals sealed, the country remains far above its average figures of 2012-2014, when the country saw between 30-43 transactions annually.

This allowed Italy to retain its fourth position on the European league table in terms of



“We are seeing Italian managers who are now much more experienced at expanding businesses on a global basis and therefore attracting investment from Asia, the US or elsewhere in Europe”

John Gripton, Capital Dynamics

volume, alongside the Netherlands and after France, the UK and Germany.

Looking at aggregate value, the country's activity witnessed an opposite trend. While the combined enterprise values of European buyouts plunged by 7.1%, Italy witnessed the third largest increase rate with 38.2%, preceded by CEE with 172.7% and DACH with 39.9%.

Italy was home to transactions worth an aggregate €9.7bn in 2015, which accounted for 8% of all European activity – in 2016 this rose to 12%, with €13.5bn of capital deployed. This made Italy the fourth largest player after France with €24.7bn, the UK with €20.3bn and Germany with €20.2bn, and double the €6.8bn of capital deployed in the Netherlands.

Large-cap traction

Average value for Italian buyouts increased from €171m to €241m last year, led by the 150% volume increase of large-cap deals and the rising appetite from international investors for the country's assets. Italy saw an increment from two mega-deals recorded in 2015 with a €3.3bn of aggregate value to five transactions worth €7.8bn in 2016.

In December 2016, Paris-based Amundi Private Equity acquired asset management platform Pioneer Investments from Unicredit

for €3.5bn. In April, Investindustrial purchased a 60% stake in healthcare products distributor Artsana, valuing the business at a €1.2bn, while in May the GP also merged its resins producer Polynt with US-based competitor Reichhold, backed by Black Diamond Capital Management, in a deal estimated at €1bn. Meanwhile, in May 2016, Mercury – a vehicle jointly owned by Advent International, Bain Capital Europe and Clessidra Capital Partners – acquired Intesa Sanpaolo's payment processing platforms Setefi and Intesa Sanpaolo Card for €1bn. In June, CVC Capital Partners backed gaming and payments operator Sisal's secondary buyout for €1bn from Permira, Apax Partners and Clessidra.

Below this top category, large deals ranging within the €500m-1bn bracket remained stable, with three deals worth an aggregate €2bn. Deals in the upper-mid-market, however, decreased by 60% from five to two transactions. Despite this gloomy backdrop, the country saw an increase in the lower- and core mid-cap markets, with a 23% increase in deals within €25-50m from 13 transactions to 16 and a light uptick in the €50-250m bracket with deals increasing from 22 to 23. But across the smaller end of the market, in the €5-25m range, Italy saw a 30% plunge from 10 to seven deals.

Beating mid-cap heart

Overall, five mega-deals led the value increase of the country in 2016, but the beating heart of the country remained the €5-250m lower-mid-market, which, with a total volume of 46 deals, represented 82% of the transactions sealed in the country in 2016.

“Italy offers large opportunities to private equity investors particularly across the mid-cap segment. More often, Italian enterprises with revenues ranging between €30-200m need fresh capital to internationalise their business, and the currently ongoing economic growth of the country, albeit weak, supports the transfer from a family-led business to a managerial company,” says Andrea Mugnai, founding managing partner at PM & Partners.

Unsurprisingly, the consumer and industrials sectors remained the backbone of the Italian buyout market in volume terms. Each of the sectors scored 19 deals in 2016, and if put together accounted for 68% of the total private



equity activity in the country in volume terms. However, the financial sector became the largest sector in value with €4.5bn, accounting for 34% of the total capital deployed, across only two transactions. The consumer sector followed with €3.9bn of capital deployed.

Looking at sources for buyouts in Italy in 2016, the main takeaway is that deals originating from family and private vendors remain core to the Italian buyout market, with 33 transactions equalling 59% of total buyout volume. The number of these transactions decreased by three compared to the previous year, while their aggregate value remained mostly level year-on-year. Secondary buyouts, which tend to be more plentiful at the upper end of the market, thus accounted for more than half of the total capital deployed in the country, despite representing only a third of dealflow volume-wise.

Exit environment

According to *unquote* data, the Italian market recorded a strong increase in exit activity in 2016. From the 47 divestments seen the previous year and 33 transactions recorded in 2014, the country saw 52 assets sold in 2016.

On the secondary buyout side, two aforementioned mega-deals led the charts in 2016: the secondary buyout of Sisal from Apax, Clessidra and Permira to CVC for €1bn in June; and the Investindustrial-backed merger of Polynt and private-equity-backed Reichhold for a €1bn deal value in May. Other notable SBOs included One Equity Partners selling its stake in software developer Engineering Ingegneria Informatica to NB Renaissance and Apax Partners in June for €825m.

On the other hand, exits via trade sale included the €506m sale of Moleskine in September, when Syntegra Capital and Index Ventures sold a 41% stake in the listed Italian notebook producer to trade buyer D'Ieteren. More recently, Clessidra sold ABM Italia to Keter Group for an estimated €400m enterprise value, reaping a 3x money multiple in December.

During 2016, the Italian stock market saw two private-equity-backed companies float for a combined value of €698m, compared with the three IPOs seen in the previous year, which amounted to €1.2bn. In May, Arle Capital

Partners raised proceeds of €162.5m in the IPO of sports equipment producer Technogym by listing 25% of the company, reducing its stake to 15%.

Prior to that, Dea Capital – through its investment vehicle Ideal Energy Efficiency and Sustainable Developmente – listed industrial machinery producer Smre with a €48.1m market cap in April.

Fundraising environment

Last year was a favourable vintage for Italian GPs, as highlighted by delegates at the *unquote* Italian Private Equity Forum in June. Most notably, the recent stability reform introduced in 2016 reduced the bureaucracy and hurdles for institutional investors willing to commit capital to private equity and venture capital funds.

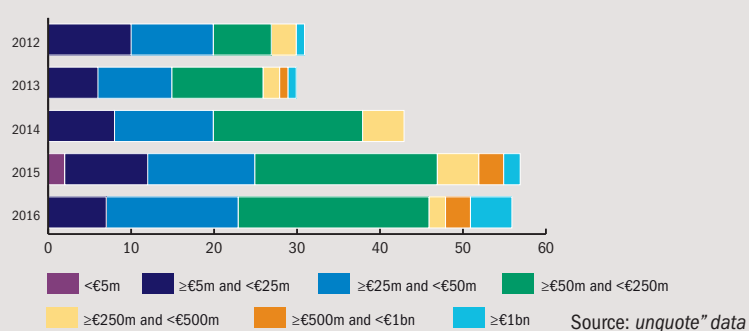
“Nonetheless, the country needs to further incentivise institutional investors to allocate capital to the industry, with particular regard to pension funds,” says Tronchetti Provera. “According to Invest Europe figures, the southern European region accounted for 1.5% of the total capital allocated in Europe in 2015, which gives Italy a position below 1%, while France and Benelux accounted for 22.4%, the DACH region 9.4% and the UK & Ireland 12.4%.”

unquote recorded a handful of fundraising events last year, including seven fund closes with an aggregate €2.35m in commitments, plus several launches. The largest final closings witnessed in 2016 included Clessidra third vehicle, which closed on €500m, and 21 Investimenti, which hit the €343m hard-cap for its latest vintage, 21 Investimenti III. Among the most active GPs in the country, Milan-based buyout house Wise also held a final close for its Wisequity IV fund on the vehicle's €215m hard-cap after six months on the road.

Compared to the previous year, 2016 was also a buoyant vintage for fund announcements. *unquote* data recorded six new vehicles in the market, including Assietta Private Equity's fourth vehicle, which launched with a €40m target after a €48m final close was reached for its predecessor in 2015. Meanwhile, mid-market buyout house PM & Partners started fundraising for its third fund, PM & Partners III, with a €300m target, and Progressio is understood to have launched Progression Investimenti III. ■

ITALY STATS

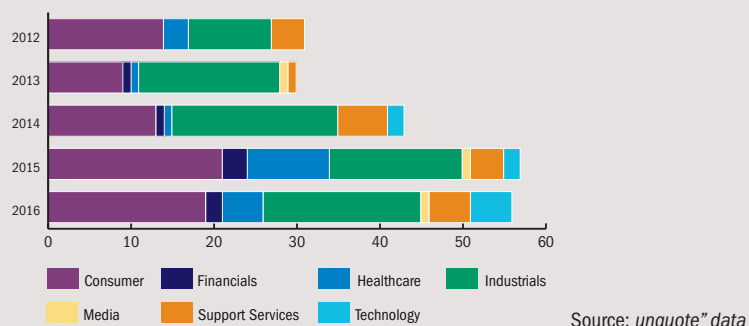
Italy buyouts by size range (volume)



Italy buyouts by €m size range (volume)

	2012	2013	2014	2015	2016
<5	0	0	0	2	0
≥5 and <25	10	6	8	10	7
≥25 and <50	10	9	12	13	16
≥50 and <250	7	11	18	22	23
≥250 and <500	3	2	5	5	2
≥500 and <1bn	0	1	0	3	3
≥1bn	1	1	0	2	5

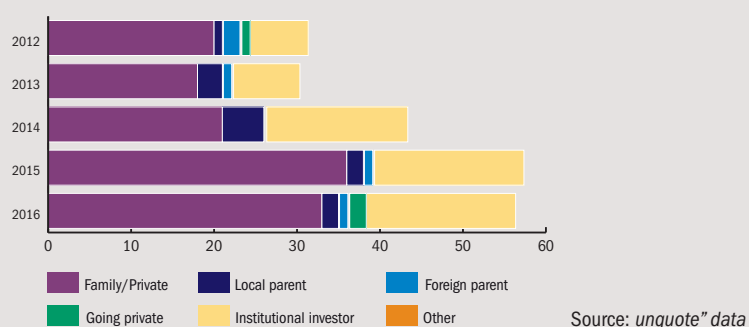
Italy buyouts by super-sector (volume)



Italy buyouts by super-sector (volume)

	2012	2013	2014	2015	2016
Consumer	14	9	13	21	19
Financials	0	1	1	3	2
Healthcare	3	1	1	10	5
Industrials	10	17	20	16	19
Media	0	1	0	1	1
Support Services	4	1	6	4	5
Technology	0	0	2	2	5

Italy buyouts by vendor type (volume)



Italy buyouts by vendor type (volume)

	2012	2013	2014	2015	2016
Family/Private	20	18	21	36	33
Local Parent	1	3	5	2	2
Foreign parent	2	1	0	1	1
Going Private	1	0	0	0	2
SBO	7	8	17	18	18
Other	0	0	0	0	0

Italy exits 2016

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
Moleskine	Trade sale	506	Index Ventures, Syntegra Capital
Arredo Plast	Trade sale	400 (est)	Clessidra Capital Partners
KOS	Other	325	Ardian
Sirti	Other	320	21 Centrale Partners, Clessidra Capital Partners, Eurazeo, Investindustrial
Euticals	Trade sale	312.8	Clessidra Capital Partners
Stroili Oro	Trade sale	300 (est)	Emisys Capital, L Catterton, Wise, 21 Centrale Partners, Ergon Capital Partners, Investindustrial
Avio	Trade sale	230	Cinven
Bellco	Trade sale	180 (est)	Amadeus Capital Partners, Charme
Spig	Trade sale	155	Ambienta
Italchimici	Trade sale	130	DeA Capital, Progressio

€13.5bnValue of
buyouts in Italy
in 2016**€506m**Largest Italy
exit in 2016**Italy funds 2016**

Fund name	Fund manager	Fund target (€m)	Amount closed (€m)
Clessidra Capital Partners III	Clessidra Capital Partners	1,000	607.3
21 Investimenti III	21 Centrale Partners	300	343
Wisequity IV	Wise	200	215
Mandarin Capital Partners II	Mandarin Capital Management	500	200
Alcedo IV	Alcedo	175	195
Aksia Capital IV	Aksia Group	125	110

€241mAverage Italy
buyout size in
2016

Italy deals 2016

Deal name	Business description	Deal value (€m)	Sector	Equity
Pioneer Investments	Provider of services to investment companies and institutional clients	3,545	Financials	Amundi Private Equity
Artsana	Distributor of healthcare and childcare products	1,200	Consumer	Investindustrial
Mercury	Provider of banking services including e-commerce and pensions, and offers credit cards under the CartaSi brand	1,035	Financials	Advent International, Clessidra, Bain Capital
Polynt and Reichhold	Provider of intermediate chemicals and systems for industrial applications	1,000	Industrials	Investindustrial, Black Diamond Capital Management
Sisal	Provider of betting, gaming and lottery services	1,000	Consumer	CVC Capital Partners
Engineering Ingegneria Informatica	Developer of software and IT services, including business integration, outsourcing and consulting	n/d (500-1,000)	TMT	Apax, NB Private Equity Partners
Doc Generici	Producer and distributor of medicines in Italy	660 (est)	Healthcare	CVC
Dedalus	Provider of software for hospitals, clinical labs, pharmacies and private practices	n/d (500-1,000)	TMT	Ardian
Optima	Manufacturer of ingredients for gelato, pastry and other foods	375 (est)	Consumer	Charterhouse
Arcaplanet	Operator of pet stores	n/d (250-500)	Consumer	Permira
Beta Utensili	Manufacturer of professional hand tools	200 (est)	Industrials	Tamburi Investment Partners
Gotha Cosmetics	Manufacturer of cosmetics	n/d (50-250)	Consumer	CapVis
Philippe Model	Producer of luxury shoes	n/d (50-250)	Consumer	21 Investimenti
Fondazione Salvatore Maugeri	Operator of private hospitals that offer diagnostic and therapeutic services	n/d (50-250)	Healthcare	Trilantic Capital Partners
Telemar Group	Provider of maritime communication and navigation equipment	n/d (50-250)	TMT	Apax Partners
Casa.it	Operator of an online advertising platform for the real estate market	132.6	TMT	Oakley
Phoenix International	Manufacturer of dyes for aluminium extrusion	n/d (50-250)	Industrials	Chequers Capital
Gimatic	Supplier of end-of-arm tools	100	Industrials	Xenon Private Equity, Agic Capital
Somacis Group	Producer of printed circuit boards	100	TMT	Quadrivio
Valtur	Operator of Italian resorts	100 (est)	Consumer	Investindustrial
Bracchi	Provider of logistics and transportation services	n/d (50-250)	Industrials	Siparex, IGI

Italy deals 2016

Deal name	Business description	Deal value (€m)	Sector	Equity
Industrie Chimiche Forestali	Producer of adhesives and textiles	n/d (50-250)	Industrials	Progressio, Mandarin Capital Management, Private Equity Partners
Trasporti Romagna	Provider of logistics management	n/d (50-250)	Industrials	IMI Fondi Chiusi, Unigrains
Corneliani	Provider of menswear	89.8	Consumer	Investcorp
Farnese Vini	Producer and retailer of wines	n/d (50-250)	Consumer	NB Private Equity Partners
Aspesi	Designer and manufacturer of high-end clothing for men, women and children	83	Consumer	Armònia
Pinarello	Manufacturer of road bicycles, including accessories and apparel	n/d (50-250)	Consumer	LVMH
Texbond	Manufacturer of non-woven fabrics for the hygiene, medical, construction, automotive, household goods and agricultural sectors	n/d (50-250)	Industrials	HIG Europe
F2A Group	Provider of human resources, and administration outsourcing services	n/d (50-250)	Business Services	Ardian
COROB	Supplier of advanced tinting equipment for the global paints and coatings industry	n/d (50-250)	Industrials	Wise SGR
CVS Ferrari	Producer of container handling machinery for the industrial sector	n/d (50-250)	Industrials	Finint & Partners
Nahrin Swiss Care	Producer of cosmetics and vitamin-based nutritional supplements	n/d (50-250)	Consumer	Alcedo
Bistar Commerciale	Operator of a chain of dental clinics	50	Healthcare	L Catterton
Lameplast	Producer of single- and multi-dose containers for the pharmaceutical and cosmetics industry	48.4	Healthcare	Aksia Group
Indian	Producer of ice cream	41.5	Consumer	DeA Capital
Exa Group	Provider of architects and designers with all tools for projects	n/d (25-50)	Industrials	Alcedo
Faccin	Manufacturer of heavy bending machinery	n/d (25-50)	Industrials	Access Capital Partners, Consilium
Gruppo Giunti	Manufacturer of irrigation and water transportation systems	n/d (25-50)	Industrials	IMI Fondi Chiusi
Poplast	Supplier of flexible packaging for the food, pharmaceutical and industrial sectors	n/d (25-50)	Business Services	EOS Investment Management
Alfatherm Group	Producer of rigid film for specialised and technologically advanced applications	n/d (25-50)	Industrials	OpenGate Capital
Gravellona Macchine Marmo	Producer and distributor of industrial machinery for cutting marble, granite and travertine	n/d (25-50)	Industrials	Consilium